



Weekly News From Tokyo

1 June – 7 June 2013

Private Sector Key To Abenomics' Third Pillar

TOKYO (Nikkei)--Prime Minister Shinzo Abe unveiled the third element of his three-pronged growth strategy in his speech delivered on Wednesday afternoon in Tokyo. The third pillar focuses on progress in regulatory reform and creating special zones within the public sector including electricity, medical and infrastructure services to revitalize the private sector.

Abe unveiled plans earlier in the year regarding the complete liberalization of the electricity industry and promoting private finance initiative projects through maintenance or improvements for airports and roads. The government aims to boost Japan's per capita gross national income by more than 1.5 million yen over 10 years under the growth strategy.

This is the third announcement of Abe's growth strategy policies, following the first pressing the need to bring more women and young people into the labor force in April, and the second pushing for the strengthening of companies and agriculture in May. Now that all three pillars are unveiled, the Cabinet is set to endorse the growth strategy on June 14.

Abe said that the government will boldly open national industries such as electricity, medical and infrastructure sectors, highlighting the government's wish to revitalize the private sector through opening up business traditionally thought of as national industries. Prime minister Abe emphasized that the private sector is the driving force of Abenomics.(The Nikkei, June 5)

Growth Strategy's Goals Look Like A Stretch

TOKYO (Nikkei)--The government's growth strategy points in the right direction. But while setting ambitious, long-term numerical targets, the steps it proposes seem few and far between.

Unveiled Wednesday to Prime Minister Shinzo Abe's council on competitiveness, the draft is now headed for cabinet approval as early as next week.

The target for economic growth over the next 10 years -- 3% on average in nominal terms, 2% when adjusted for inflation -- is a carbon copy of the goal set under the Democratic Party of Japan-led previous ruling bloc. Many doubt that the economy can move that fast, given a potential growth rate of less than 1%.

Increasing this potential is vital for achieving an inflation-inducing economic expansion. Painful reforms may be a nonstarter before the July upper house election, but at some point the government will need to flesh out a growth plan the financial markets now see as inadequate.



Weekly News From Tokyo

1 June – 7 June 2013

Revitalizing the corporate sector stands as the first pillar of the strategy. Goals here include raising the rates of business creation and closure to more than 10%, bringing them in line with U.S. and European levels. This will be no easy task, judging from the recent rates of 5.1% for business creation and 6.2% for closures as of fiscal 2004-06. As far back as the 1970s, rates have never hit double digits. Simply revising protections on personal assets during bankruptcy is unlikely to be enough. Notably absent from the strategy is a corporate tax cut.

Agriculture forms part of the second pillar: creating "strategic markets." The strategy calls for doubling farming-village income over the next decade and proposes having prefectural governments consolidate unused farmland and lease it to big growers. But farm income will need to rise 7% a year to reach the target. Assuming that import tariffs are to fall as Japan enters into such trade deals as the Trans-Pacific Partnership, further steps will be needed to make domestic farms more competitive.

Under the third pillar, globalization, the strategy aims to double the stock of foreign direct investment to 35 trillion yen by 2020. Junichiro Koizumi's government set a similar goal in 2003 and nearly reached it in five years. But FDI stock has been flat since the 2008 financial crisis.

The Abe government proposes to create new special zones to attract foreign capital. But it remains to be seen how deregulated they will be and whether the government can muster the will for bolder regulatory reforms on a national scale. While the strategy offers some ideas for empowering the private sector, it lacks the vision to attack the last bastion of state enterprise: the Japan Post group.

Many of the strategy's goals lie five years or more down the road. To the bureaucracy, this comes across as an assurance of plenty of time for dodging responsibility. And if the government were to change hands in the meantime, the goals may simply vanish.

"We need to get the PDCA (plan-do-check-act) cycle moving," said Toshiba Corp. President Norio Sasaki, a member of the Council on Economic and Fiscal Policy. (The Nikkei, June 6)

Govt To Seek To Double Business Opening Rate In Growth Strategy

TOKYO (Nikkei)--The government will aim to double the rate at which new businesses are born to 10% by 2020 in a growth strategy plan it will unveil in the middle of the month, government sources said Monday.



Weekly News From Tokyo

1 June – 7 June 2013

To encourage the creation of new businesses and industries, the government is considering having the Japan Finance Corp. expand funding for new firms. It also plans to launch a new organization this year to help small firms expand abroad, in collaboration with local governments and financial institutions.

According to the Small and Medium Enterprise Agency, the business opening rate averaged 4.5% in 2004-2009. With the number of small and midsize firms shrinking by about 650,000 between 1999 and 2009, Prime Minister Shinzo Abe's administration regards the fostering of smaller firms and ventures as one of the pillars of its economic revival strategy.

Currently, only 700,000 of the nation's 4.2 million small and midsize businesses are profitable. The plan would call for raising the number to 1.4 million. It would also aim to double the value of exports by smaller firms.

To support their fundraising, the plan would consider using the Internet to employ a "crowdfunding" scheme that would allow companies to tap small amounts from many investors. It will also draw up guidelines to ensure that small-business owners would not see all personal assets seized by creditors when the firms go bankrupt. To do so, the government plans to change the current practice of banks asking for personal repayment guarantees from the owners when lending to their businesses. (The Nikkei, June 4)

Universities Embrace 'Cool Japan' To Attract Overseas Market

TOKYO (Nikkei)--Academics are strengthening formal education of Japan's pop cultures such as fashion, manga and animation in a bid to attract students from abroad and at home to promote the so-called "Cool Japan" abroad.



Meiji University's special course by Yoshiyuki Tomino, director of animation "Mobile Suit Gundam", at Peking University attracted a large crowd in 2010

Professor Sanae Kosugi of Bunka Fashion Graduate University in Shibuya Ward, Tokyo, makes it a rule to tell new students every year that she expects a constant awareness of the global market.

Cool Global Leanings

The graduate school was established in 2006 by educational foundation Bunka Gakuen to develop people who can promote Japanese fashion in overseas markets. Bunka Gakuen also operates Bunka Fashion College which turned out a number of



Weekly News From Tokyo

1 June – 7 June 2013

globally eminent fashion designers such as Yohji Yamamoto and Kenzo Takada.

More than 60% of students are foreigners who came to Japan to study Japanese fashion culture. A would-be designer from South Korea says that the attraction of the school is not just the quality lectures but also the opportunity to learn the latest trends.

Although a majority of students are from abroad, classes are given in Japanese because Kosugi believes knowledge of the Japanese language and culture are essential for those aiming to prevail in the world market with Japanese fashion. The school also offers courses on Japanese calligraphic works, paintings and flower arrangement to acquire insight into Japan's unique aesthetics.

The school is also actively working on the overseas promotion of Japanese culture by exhibiting student work at fashion shows in France and Australia as well as establishing a collaborative relationship with Austrian crystal brand Swarovski.

Manga For The Masses

Meanwhile, Meiji University is increasing classes on manga and animation in the School of Global Japanese Studies established in 2008. A variety of classes such as manga culture, Edo studies and aesthetics of Kabuki and Noh are open to undergraduate students. Roughly 1,200 students study at its Nakano Ward campus, in Tokyo, with around 230 students from overseas.

Careers of alumni are not always related to manga and animation, but Associate Professor Kaichiro Morikawa believes that study on pop culture helps students acquire world class education.

The intensive course "Cool Japan Summer Program" offered by the University also attracts many overseas students wanting to study a variety of Japanese culture every year. The program will be held from July 22 to Aug. 2. in 2013 for a fee of 100,000 yen. More than 50 people applied for the enrollment in the program which has a limit of 20. Over 10 people are still on the waiting list.

Meiji University is also exporting classes on Japanese pop culture. It has been hosting classes on the latest manga & animation culture in Japan together with Peking University for 10 years now. The classes held at the Chinese university feature lectures by famous animation directors in Japan, and sometimes draws over 600 students.

Kyoto Seika University upgraded their Department of Manga to the Faculty of Manga in 2006.



Weekly News From Tokyo

1 June – 7 June 2013

The university welcomes a number of international students hoping to major in manga studies from nations such as South Korea.

Although the main goal of the institution is to train professional manga creators, animators and editors, it is also strengthening classes which will help the promotion of manga and animation abroad such as English language and marketing because it believes that the creators need to be aware of the global market as the domestic market continues to shrink.

Pleased with the Faculty of Manga's success, the university launched the Faculty of Popular Culture in April 2013. The faculty hopes to appeal to prospective students with the perspective that music and fashion will be keys to going global. The faculty, which consists of courses on music and fashion respectively, welcomed around 100 freshmen this April.

Abe Pushes Cool

Globalizing Cool Japan culture is one of the priorities in Prime Minister Shinzo Abe's growth strategy. Public-private fund, which is tentatively called Cool Japan promotion organization, will be launched soon with the aim of investing in individual businesses. The government intends to provide around 50 billion yen to the fund.

The government's Cool Japan Promotion Council, which has been studying ways to promote Japanese culture overseas since March, is also making a number of proposals.

For example, Tsuguhiko Kadokawa, chairman of Kadokawa Group Holdings Inc. (9477) and a private member of the council, floated an idea to establish colleges that teach Cool Japan content in several countries including Singapore, Thailand and Dubai as a way of continuously turning out foreign experts on Japanese pop culture. (The Nikkei, June 6 morning edition)

Brazil Food, Fashion Bedazzling Japanese Women

TOKYO (Nikkei)--Japanese women are showing a growing fondness for Brazilian food and fashion, which is increasingly in the spotlight as the South American country prepares to host the World Cup soccer tournament in 2014 and the Summer Olympics in 2016.

A woman watches "churrasco" Brazilian-style skewered meat being carved at her table at Barbacoa Grill Aoyama in Tokyo's Shibuya Ward.

Women are embracing the mix of fun and glamour that Brazilian culture conveys, and Japan's economic recovery appears to be making them more willing to spend money on new experiences.



Weekly News From Tokyo

1 June – 7 June 2013

Brazilian BBQ

One company benefiting from this trend is Wondertable Ltd., which runs the Barbacoa Grill Aoyama restaurant in Tokyo's Shibuya Ward.

"Brazil's popularity has been growing since the beginning of the year thanks to the World Cup," said a Wondertable official. "Lately, we are almost fully reserved on weekends."

One of the more popular items on the menu at the restaurant is "churrasco," or skewered meat seasoned only with rock salt and roasted without oil. The meat is then carved in front of the customers.



An all-you-can-eat dinner of "churrasco" and a salad bar costs 4,500 yen for an adult. Despite the high price, nearly half of the 200 seats in the restaurant were filled within just 30 minutes after opening at 5:30 p.m. one weekday evening in late May.

"I made a reservation because I wanted to eat lots of meat. The meat here is not greasy, so I can eat a lot," said a 33-year-old woman who was dining with two female colleagues.

Berry Power

Frutafruta Inc. is getting a boost from the popularity of the acai berry, a Brazilian palm berry that is rich in polyphenol, which is said to offer health benefits.

The company's Acai Energy Original drink is sold at convenience stores and supermarkets for 258 yen per 195g carton. This year, the company will import 50% more acai berries than last year.

In February, Calpis Co. introduced Acai Water, an acai berry-flavored beverage that retails for 137 yen per 500ml plastic bottle. The leading domestic beverage maker targeted sales of 300,000 cases in the first year, but it had already sold more than 160,000 cases as of the end of May.

The company said the drink is particularly popular among women in their 30-40s. It plans to add more acai drinks to its beverage lineup because the fruit's "healthy image is spreading."

Feisty Fashion

Brazilian clothing, marked by its bright colors and unique patterns, is also proving popular. Nissei



Weekly News From Tokyo

1 June – 7 June 2013

Corp. is finding success with its imports of Brazilian swimsuits, which are colorful and designed to show off the body.

"This year (Brazilian swimwear) has been selling well since around March, which is earlier than normal years," said an official at the Gunma Prefecture-based company.

Said a 30-year-old woman from Tokyo: "I will splurge and hit the beach overseas this summer. So I want to buy a brightly colored Brazilian swimsuit."

Sogo & Seibu Co. held a Brazilian fair at its Seibu department store in Shibuya Ward in April. It sold about 350 items of clothing and other goods that it purchased in the South American country.

Some of the most popular items were colorful bags made by Brazilian designer Carlos Falchi and sold under the Falchi by Falchi label at 12,000 yen to 15,000 yen each. Sogo & Seibu plans to hold such events at more locations next year.

Sweet Music

Brazilian Bossa Nova music is also developing a growing fanbase.

"Many people in their 20-30s are becoming interested in Bossa Nova because more and more young Japanese artists are incorporating elements of Bossa Nova into their music," said an official at Universal Music LLC.

In July the company will release an album in which world-renowned Brazilian pianist Sergio Mendes collaborates with Japanese singers. (The Nikkei, June 4)

Shinagawa, Shibuya Emerge As Tokyo's New Development Hot Spots

TOKYO (Nikkei)--With Japan's economy showing signs of new life, property prices in Tokyo are beginning to perk up after years of trending lower. The upturn is raising expectations for the launch of big new development projects in prime business districts in the capital, piquing the interest of investors at home and abroad.

.The area attracting the most attention at the moment is Shinagawa, the southern gateway to Tokyo.



Shinagawa is attracting the most attention



Weekly News From Tokyo

1 June – 7 June 2013

Symbolizing the fresh wave of interest in the district in the property industry is a building that is a five-minute walk from Shinagawa Station and which houses the offices of Kokuyo Co., a major stationery and office equipment maker.

The Osaka-based firm bought the property for 9 million yen in 1953 to expand its business in Tokyo. The property is still listed at that price on Kokuyo's balance sheet, and market players say the firm would earn a huge profit if it sold the land now.

In another sign of rising property values in the area, Keikyu Corp. recently acquired a commercial building older than 30 years at the surprisingly high price of 11.5 billion yen.



New Center Of Gravity

"In the future, Tokyo's center of gravity will move southward to the Shinagawa district from the traditional prime business areas of Marunouchi, Otemachi and Yurakucho," predicted Hiroo Ichikawa, an urban policy expert at Meiji University.

This view is gaining popularity among property investors and is generating considerable buzz about Shinagawa within the market.

Market attention is focused on a large rail yard that occupies about 200,000 sq. meters of land between Tamachi and Shinagawa stations along

the Yamanote Line, a railway loop line operated by East Japan Railway Co..

JR East is working on a plan to redevelop 100,000 to 150,000 sq. meters of the land that will be made available through transfers of some facilities and rail tracks from the yard.

One proposal is to build a new train station, which would trigger many development projects in surrounding areas as well as within the yard, developers say.

JR East has yet to unveil any redevelopment plans for the yard, but the stock market is betting that an overall blueprint for the redevelopment of the land will become clear in 2014. The rumor is that it will be a gigantic project that is completed around 2020.



Weekly News From Tokyo

1 June – 7 June 2013

Buoyed By Haneda

Another important factor behind the growing popularity of Shinagawa among real estate investors is its proximity to Haneda airport, where a new international terminal opened in 2010. The terminal is expected to start 24-hour operations possibly in autumn 2014.

Shinagawa has also been chosen as the location for a terminal station of a high-speed maglev train line to be built and operated by Central Japan Railway Co.. Although the maglev service will not begin until 2027, starting first with a service between Tokyo and Nagoya, the prospect is certain to revitalize areas around Shinagawa.

Another Tokyo district attracting the interest of property investors is Shibuya, where railway company Tokyu Corp. and Tokyu Land Corp. are pursuing some big redevelopment projects.

The Shibuya Hikarie shopping and entertainment complex, located next to Shibuya Station, opened in April 2012 as the first of a series of redevelopment projects. Several other buildings and facilities around the station are planned to open by 2027.

Offices Filling Up

Indicative of the resurgent popularity of the Shibuya district is the fact that the office vacancy rate in the area declined to 5.51% in April, the lowest reading among the five main commercial areas in central Tokyo, according to Miki Shoji Co., an office space broker.

Shibuya is making a comeback after what a senior Tokyu executive describes as a "lost decade" during which it was overshadowed by such neighborhoods as Roppongi, where the Roppongi Hills complex emerged as a new symbol of Japan's cutting-edge entrepreneurship.

Shibuya appears poised to regain its status as one of the hippest areas in the vibrant metropolis, which accounts for 20% of Japan's gross domestic product. (The Nikkei Veritas, June 2 edition)

Aeon To Ramp Up Private-Brand Offerings In Asia

TOKYO (Nikkei)--Aeon Co. plans to expand its lineup of private-label products in Asia outside Japan, outsourcing production to local manufacturers to cut costs while taking steps to ensure quality.

The retail giant started offering locally-made private-label goods in China last spring and plans to do the same by next spring in Malaysia, where it will assist about 100 manufacturers in improving quality.



Weekly News From Tokyo

1 June – 7 June 2013

Sales for its retail business in Asia outside Japan are projected to surge 50% to 320 billion yen this fiscal year on acquisitions and the opening of new stores. Banking on its Topvalu private brand of goods, the company aims to better compete with Western and local rivals on quality and price.

In Malaysia and Thailand, Aeon has set up companies dedicated to developing private-label products. It will manage materials and production processes through these firms and locally produce clothing, halal foods for Muslims and other products. All will be priced 20-30% less than name-brand goods.

Aeon will cultivate food producers and farmers in Malaysia starting this month in collaboration with the United Nations Industrial Development Organization and the country's Trade Ministry. The effort will include providing a globally recognized food safety system. Similar steps may be taken in Indonesia and Vietnam as well as in other countries belonging to the Association of Southeast Asian Nations.

In China, Aeon aims to have private-label goods account for 3% of total sales this fiscal year, up from 0.6% in fiscal 2012, with plans to double its lineup to 1,000. The firm will increase offerings not just of seasonings and everyday goods but also of candy, clothing and other products.

Aeon operates a total of roughly 170 supermarkets and discount stores in China, Malaysia and Thailand. It also runs about 40 malls anchored by supermarkets. (The Nikkei, June 1)